

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1966, as amended. Filing is mandatory.

| | | | |
|---|-------------------------------|--|----------------------|
| Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other | | Local Government Name BEAVER ISLAND DISTRICT LIBRARY | County CHARLEVOIX |
| Audit Date MARCH 31, 2004 | Opinion Date JULY 20, 2004 | Date Accountant Report Submitted to State: SEPTEMBER 30, 2004 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

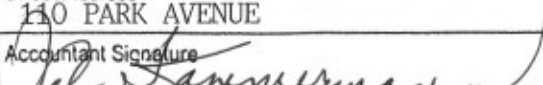
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1966, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | X | | |
| Reports on individual federal financial assistance programs (program audits). | | | X |
| Single Audit Reports (ASLGU). | | | X |

| | | | |
|---|--------------------|-------------|--------------|
| Certified Public Accountant (Firm Name) MASON & KAMMERMANN, P.C. | | | |
| Street Address 110 PARK AVENUE | City CHARLEVOIX | State MI | ZIP 49720 |
| Accountant Signature  | | | |

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

110 Park Avenue
Charlevoix, Michigan 49720
Telephone (231) 547-4911
Facsimile (231) 547-5911

July 20, 2004

To the Board of Trustees of
Beaver Island District Library:

We have audited the financial statements of Beaver Island District Library for the year ended March 31, 2004, and have issued our report thereon dated July 20, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Beaver Island District Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Beaver Island District Library are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Beaver Island District Library during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Beaver Island District Library's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgement, none of the adjustments we proposed, whether recorded or unrecorded by the Beaver Island District Library, either individually or in the aggregate, indicate matters that could have a significant effect on the Beaver Island District Library's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

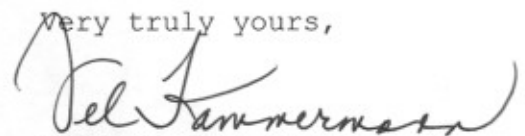
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Beaver Island District Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of Beaver Island District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Velda K. Kammermann

BEAVER ISLAND DISTRICT LIBRARY
CHARLEVOIX COUNTY
MICHIGAN

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
for the year ended March 31, 2004

MASON & KAMMERMAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

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MASON & KAMMERMANN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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July 20, 2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Beaver Island District Library:

We have audited the accompanying general purpose financial statements of Beaver Island District Library as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of Beaver Island District Library's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Beaver Island District Library as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The account group schedule listed as additional information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Beaver Island District Library. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Mason & Kammermann, P.C.

BEAVER ISLAND DISTRICT LIBRARY
ALL FUND TYPES AND ACCOUNT GROUP
COMBINED BALANCE SHEET
as of March 31, 2004

| | <u>GOVERNMENTAL FUND TYPE</u> | <u>ACCOUNT GROUP</u> | <u>TOTALS (MEMORANDUM ONLY)</u> |
|--|-----------------------------------|---------------------------------|---|
| | <u>GENERAL</u> | <u>GENERAL FIXED ASSETS</u> | |
| ASSETS | | | |
| Cash in bank, savings | \$ 92,096 | \$ - | \$ 92,096 |
| Cash in bank, certificates of deposit | 8,143 | - | 8,143 |
| Due from other governmental units | 8,135 | - | 8,135 |
| Fixed assets | <u>-</u> | <u>40,495</u> | <u>40,495</u> |
| Total assets | <u>\$108,374</u> | <u>\$40,495</u> | <u>\$148,869</u> |
| LIABILITIES AND FUND EQUITY | | | |
| LIABILITIES, | | | |
| Accrued payroll taxes | 890 | - | 890 |
| FUND EQUITY: | | | |
| Investment in general fixed assets | - | 40,495 | 40,495 |
| Fund balance | <u>107,484</u> | <u>-</u> | <u>107,484</u> |
| Total fund equity | <u>107,484</u> | <u>40,495</u> | <u>147,979</u> |
| Total liabilities and fund equity | <u>\$108,374</u> | <u>\$40,495</u> | <u>\$148,869</u> |

The accompanying notes are a part of the financial statements.

BEAVER ISLAND DISTRICT LIBRARY

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE

for the year ended March 31, 2004

| | GENERAL FUND | | |
|---|-----------------|------------------|-------------------------|
| | BUDGET | ACTUAL | OVER/ (UNDER) BUDGET |
| Revenues: | | | |
| Property taxes | \$67,407 | \$ 73,101 | \$ 5,694 |
| Intergovernmental: | | | |
| State penal fines | 2,500 | 2,557 | 57 |
| State aid | 475 | 458 | (17) |
| Contributions | 1,000 | 1,189 | 189 |
| Interest income | 650 | 504 | (146) |
| Miscellaneous | <u>2,400</u> | <u>4,849</u> | <u>2,449</u> |
| Total revenues | 74,432 | 82,658 | 8,226 |
| Expenditures: | | | |
| Books and subscriptions | 9,400 | 9,243 | (157) |
| Wages | 39,000 | 35,282 | (3,718) |
| Payroll taxes | - | 2,699 | 2,699 |
| Office supplies | 2,750 | 1,908 | (842) |
| Travel and memberships | 100 | 128 | 28 |
| Utilities and telephone | 5,000 | 5,128 | 128 |
| Repairs and maintenance | 2,500 | 2,972 | 472 |
| Insurance | 800 | 734 | (66) |
| Miscellaneous | 1,500 | 1,983 | 483 |
| Capital outlay, equipment | <u>22,192</u> | <u>2,614</u> | <u>(19,578)</u> |
| Total expenditures | <u>83,242</u> | <u>62,691</u> | <u>(20,551)</u> |
| Excess(deficiency) of revenues over expenditures | (8,810) | 19,967 | 28,877 |
| Fund Balance, April 1, 2003 | <u>87,517</u> | <u>87,517</u> | <u>-</u> |
| Fund Balance, March 31, 2004 | <u>\$78,707</u> | <u>\$107,484</u> | <u>\$ 28,777</u> |

The accompanying notes are a part of the financial statements.

BEAVER ISLAND DISTRICT LIBRARY

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2004

(1) Summary of Significant Accounting Policies

The Beaver Island District Library was established in 1986 under Act 164 of 1955, to provide library services to the residents of Beaver Island. It is primarily funded by tax revenues from Peaine and St. James Townships.

Following is a summary of the significant accounting policies:

A. Fund Accounting

The accounts of the Library are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues, and expenditures or expenses. The following funds and groups of accounts are used by the library:

GOVERNMENTAL FUNDS

The General Fund is the general operating fund of the Library. All financial resources except those required to be accounted for in another fund are accounted for in the General Fund.

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Asset Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

B. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

BEAVER ISLAND DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
for the year ended March 31, 2004

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting (Continued)

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

C. Budgets and Budgetary Accounting

Budgeted amounts are as originally adopted, or as amended by the Library Board of Directors. Individual amendments were not material in relation to the original amounts.

D. General Fixed Assets Account Group

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental fund types. No depreciation has been provided on such assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date of donation. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

E. Total Columns on Combined Balance Sheet

Total columns on the combined balance sheet are captioned "Memorandum Only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position or results of operations and cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

BEAVER ISLAND DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
for the year ended March 31, 2004

(1) Summary of Significant Accounting Policies (Continued)

F. Cash in Bank

The cash in bank is covered by federal depository insurance and is made up of cash on deposit and certificates of deposit.

G. Donations of Books

Donations of books are recorded at their estimated fair value on the date of donation. The value is recorded as a revenue and an expenditure for books.

H. The land and building used for Library operations have been donated for Library services and have been deeded to Peaine and St. James Townships.

(2) Property Taxes

Property taxes are levied on July first and December first and are payable by September fourteenth and February fourteenth. Property tax revenues are recognized when levied.

The Library is supported by the taxpayers of Peaine and St. James Townships and have approved the following taxes to finance the Library's operations:

| <u>DISTRICT</u> | <u>MILLS</u> | <u>TAXABLE VALUATION</u> |
|--------------------|--------------|------------------------------|
| Peaine Township | .85 | \$51,084,043 |
| St. James Township | .85 | \$35,820,117 |

BEAVER ISLAND DISTRICT LIBRARY
GENERAL FIXED ASSETS ACCOUNT GROUP
SCHEDULE OF GENERAL FIXED ASSETS
for the year ended March 31, 2004

| | BALANCE <u>4/1/03</u> | ADDITIONS | DEDUCTIONS | BALANCE <u>3/31/04</u> |
|---|--------------------------|-----------------|-------------|---------------------------|
| General Fixed Assets: | | | | |
| Office equipment | \$ 6,810 | \$ 2,614 | \$ - | \$ 9,424 |
| Library equipment | <u>31,071</u> | <u>-</u> | <u>-</u> | <u>31,071</u> |
| Total | <u>\$37,881</u> | <u>\$ 2,614</u> | <u>\$ -</u> | <u>\$40,495</u> |
| Investment in General Fixed Assets, General Fund Revenues | <u>\$37,881</u> | <u>\$ 2,614</u> | <u>\$ -</u> | <u>\$40,495</u> |